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SIPDIS

SENSITIVE

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E.O. 12958: N/A

TAGS: [ETRD](#) [EAGR](#) [ECON](#) [VM](#) [BTA](#)

SUBJECT: Vietnam denies U.S. MFN Duty Reductions

Sensitive but Unclassified -- Please protect accordingly.

1. (U) Summary: In February, in connection with a recently amended bilateral agreement with the EU, Vietnam reduced import duties on wines and motorcycles from the European Union. In contravention of the U.S.-Vietnam Bilateral Trade Agreement, these lower duties have not been extended to U.S. products on an MFN basis. GVN officials state that the GVN is reviewing internally the applicability of MFN to certain types of bilateral agreements, including "textile" agreements. End summary.

2. (U) On February 12, the Ministry of Finance issued Decision No. 17/2004/QĐ-BTC reducing duties on imports of European wines from 100 to 80 percent and duties on imports of European motorcycles from 100 percent to 70 percent. This Decision codified two of Vietnam's commitments in the February 15 amendment to the Agreement on Trade in Textiles and Clothing and Other Market Opening Measures between Vietnam and the European Union (EU). (Note: The Agreement was originally initialed in December 1992 and has been amended several times. End note.) Despite Vietnam's MFN arrangements with more than 60 countries, the GVN is not/not currently applying Decision 17 duty reductions to imports from any other country, including the U.S. Article one of the U.S. Vietnam Bilateral Trade Agreement (BTA) guarantees the U.S. MFN. The only exceptions listed in the BTA are advantages accorded to third countries involved in customs unions, free trade areas and frontier traffic with Vietnam.

3. (U) Econoff raised the issue with Mr. Ha Huy Tuan, Deputy Director on the International Relations Department at the Ministry of Finance (MOF) on March 3. Econoff expressed concern that the GVN is ignoring its MFN obligations, a fundamental principle in the BTA and that U.S. exports are being disadvantaged by the GVN's inaction. Tuan responded that the GVN is discussing the application of MFN internally and trying to determine whether or not it applies to special agreements like the "textile agreement" between Vietnam and the EU. Tuan then advised Econoff to raise the issue with the Ministry of Trade (MOT), noting that while MOT is responsible for levying duties, the MOT has the lead on issues related to MFN. Tuan promised to convey U.S. concerns up to the Vice Minister of Finance.

4. (SBU) Econoff subsequently raised the issue with Nguyen Hong Dzuong, Deputy Director General, Trade Policy Department for Europe and America at the MOT, who reiterated MOF's response that the GVN is currently internally debating application of the MFN principle and whether or not it applies to "textile agreements" (and anything contained in these agreements.) Dzuong explained that on one side, there are officials who see this as a very clear-cut issue. If you look at the BTA for example, there are no exceptions for wine (or other products) from MFN and so U.S. wines should automatically benefit from the reduction in duties applied to European wines. Hardliners, on the other hand, reject this argument. They take the view that textile agreements are an exception and thus the reductions on duties applied to EU wines are exempt from MFN treatment. The hardliners are "uncomfortable" with the concept of MFN, Dzuong added.

5. (SBU) Australian diplomats have also raised the MFN issue at both the MOF and MOT, without securing MFN treatment for Australian imports. (Note: Australia has had MFN since 1990. End note.) A MOF official told an Australian diplomat that Australia would have better luck if it framed its arguments regarding MFN in the context of WTO accession negotiations with Vietnam, rather than in the context of a specific issue, such as wine.

6. (SBU) In an effort to broaden the discussion within MOT, Econ/C requested an appointment with Tran Quoc Khanh, Director General of the Multilateral Trade Policy Department. Khanh responded that he would not be available this week.

7. (SBU) Comment: The GVN does not appear to understand the

ramifications of denying MFN to its major trading partners, even as it looks to move forward with WTO accession. Embassy will continue to push strongly the GVN to meet its obligations on this fundamental issue. We recommend that a discussion of MFN be placed on the agenda of the next meeting of the BTA Joint Committee.

BURGHARDT